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10 **UNITED STATES BANKRUPTCY COURT**
11 **EASTERN DISTRICT OF CALIFORNIA, FRESNO DIVISION**

12 In re:

13 TEMBLOR PETROLEUM COMPANY, LLC.

14 Debtor-in-Possession.

15 Case No. 20-11367-A-11
16 Chapter 11
17 DC No. LKW-4

18 Date: December 9, 2020
19 Time: 9:30 a.m.
20 Place: United States Courthouse
21 2500 Tulare Street, Department A
22 Courtroom 11
23 Fresno, CA
24 Judge: Honorable Jennifer E. Niemann

25 **DEBTOR-IN-POSSESSION'S THIRD CHAPTER 11**
26 **STATUS CONFERENCE STATEMENT**

27 TO THE UNITED STATES BANKRUPTCY COURT, THE UNITED STATES TRUSTEE,
28 AND PARTIES REQUESTING SPECIAL NOTICE:

29 TEMBLOR PETROLEUM COMPANY, LLC ("Debtor") submits the following Third
30 Chapter 11 Status Conference Statement:

31 A. **BACKGROUND**

32 1. Information about Debtor's background and the events leading to Debtor's
33 Chapter 11 case is included in the "Debtor-in-Possession's Chapter 11 Status Conference
34 Statement" filed on June 05, 2020. For that reason, the background information and
35 information about the events leading to Debtor's Chapter 11 case will not be repeated in this
36 Debtor-in-Possession's Third Chapter 11 Status Conference Statement.

1 B. DEBTOR'S ASSETS AND LIABILITIES

2 2. Debtor's Schedules of Assets and Liabilities filed in its Chapter 11 case indicate
3 that Debtor has assets valued at \$12,688,376.15 and liabilities totaling \$12,354,043.30
4 including secured claims of \$2,352,219.0, priority claims of \$5,373.56, and unsecured non-
5 priority claims of \$9,996,450.69. Debtor's unsecured non-priority claims include insider
6 claims of \$3,132,368.73 and a disputed claim of \$7,604,207.68 held by California Energy
7 Exchange Corporation.

9 C. PRESENT STATUS

10 3. Debtor has remained in possession of its property and managed its affairs as a
11 debtor-in-possession since it filed for relief under Chapter 11.

13 D. INTENT WITH RESPECT TO PLAN OF REORGANIZATION

14 4. Debtor filed a Plan of Liquidation and Disclosure Statement on November 10,
15 2020 ("the Plan"). A hearing on approval of the Disclosure Statement is scheduled for January
16 7 2021. Debtor expects the Disclosure Statement to be approved by the Court. The Plan
17 provides for the sale of its working interests in five oilfields - .i.e. (a) the Witter Field, (b) the
18 Lynch Canyon Field, (c) the Los Alamos Field, (d) the Lander Avenue Project, and (e) the
19 Hangman Hollow Field ("the Oilfields") and the machinery and equipment associated with its
20 working interests in the Oilfields.

22 Debtor believes that filing the Plan under which all of its assets are sold represents the
23 best way for creditors to be paid in the shortest time possible and in the maximum amount
24 possible. However, the depression experienced by the oil and gas industry in 2020 make it
25 impossible for Debtor [or anyone else] to offer a "quick fix" to Debtor's debtor-creditor
26 problems. For that reason, all parties must remain patient and permit Debtor to engage in an
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1 aggressive sales program under which all of its assets are sold for the benefit of all parties
2 concerned.

3 **E. OTHER MATTERS PURSUANT TO COURT ORDER RE CHAPTER 11**
4 **STATUS CONFERENCE**

5. **Motions for Relief from Automatic Stay:** There are no Motions for Relief
6 from Automatic Stay filed or pending in Debtor's case. Debtor does not believe that grounds
7 exist for the granting of any such motions.

8. **Employment of Professionals:** Debtor has filed an Application for Order
9 Authorizing Employment of General Counsel per 11 USC Section 327(a) ("the Application")
10 concerning its employment of the Law Offices of Leonard K. Welsh. The Bankruptcy Court
11 approved the Application and an Order Authorizing Employment of General Counsel was
12 entered on May 1, 2020.

13 Debtor has filed a Motion for Order Authorizing Employment of Marketing and Sale
14 Agent ("the Motion") concerning its employment of Energy Advisor Group ("EAG") as its
15 sales agent in its Chapter 11 case. The Bankruptcy Court granted the Motion and an Order
16 Authorizing Employment of Marketing and Sales Agent was entered on October 6, 2020.

17 7. **Appointment of Committee of Unsecured Creditors:** The United States
18 Trustee has not appointed a Committee of Unsecured Creditors in Debtor's case.

19 8. **Motions for Use of Cash Collateral:** There are no Motions for Use of Cash
20 Collateral filed or pending in Debtor's case. Debtor does not believe that grounds exist for the
21 granting of any such motions.

22 9. **Adequate Protection Payments:** Debtor has not made adequate protection
23 payments to secured creditors in the Chapter 11 case.

1 **10. Motions for Order Authorizing Assumption of Unexpired Real Property**

2 **Leases:** Debtor filed a Motion for Order Extending Time to Assume or Reject Unexpired Oil
3 and Gas Leases (“the Motion”) on August 6, 2020 even though Debtor believed that its
4 Working Interest in the Oilfields are fee simple determinable interests under California law and
5 are not “executory contracts” or “unexpired leases” as those terms are defined under the
6 bankruptcy law. The Court denied the Motion after finding that Debtor’s Working Interests in
7 the Oilfields are “fee simple determinable” interests and not executory contracts or unexpired
8 leases. This finding by the Court was critical in determining the character of Debtor’s interests
9 in the Oilfields and the character of the assets that Debtor can liquidate through the Plan.

10 **11. Motion to Dismiss or Convert Chapter 11 Case or Motion to Appoint**

11 **Chapter 11 Trustee:** There are no Motions to Dismiss or Convert Chapter 11 Case or Motion
12 to Appoint Chapter 11 Trustee filed or pending in Debtor’s case. Debtor does not believe that
13 grounds exist for the granting of any such motions.

14 **12. Administrative Matters:** Debtor participated in the Initial Debtor’s Interview

15 and Meeting of Creditors conducted by the United States Trustee on May 11 and May 18, 2020.
16 Debtor filed its Monthly Operating Reports for April through October 2020 as required by law.
17 Debtor will file Monthly Operating Reports and pay the Quarterly Fees owed to the United
18 States Trustee required by the law during the administration of its case. Debtor has opened
19 Debtor-in-Possession bank accounts and has provided Proof of Insurance to the United States
20 Trustee as required by the law.

21 **13. Postpetition Financing:** Debtor may borrow money from its members order to

22 operate for the next six months. Debtor had received adequate income from the Lynch Canyon
23 Field to pay operating expenses before Debtor filed its Chapter 11 case. However, the Lynch
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1 Canyon is not generating profit at current oil prices and, for that reason, a loan from Debtor's
2 members may be necessary.

3 14. **Alternative to Chapter 11 Case:** Dismissal of Debtor's Chapter 11 case or
4 conversion of Debtor's Chapter 11 case to Chapter 7 are the two most logical alternatives to
5 Debtor's Chapter 11 case. Debtor believes that the dismissal of its Chapter 11 case is not in the
6 best interest of creditors because creditors would be forced to pursue involuntary collection
7 actions against Debtor if the Chapter 11 case is dismissed and such actions would be expensive
8 and time consuming for all parties concerned. Additionally, Debtor does not believe that
9 conversion of the Chapter 11 case to Chapter 7 is in the best interest of creditors because a
10 Chapter 7 Trustee may not have the same experience and expertise in the oil and gas industry
11 as possessed by Debtor and its members and such experience and expertise will help to insure
12 that Debtor's assets are sold as quickly as possible and for the highest price possible in
13 Debtor's case.

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18 Date: December 2, 2020

LAW OFFICES OF LEONARD K. WELSH

Leonard K. Welsh

20 By: /s/ Leonard K. Welsh
21 LEONARD K. WELSH
22 Attorneys for Debtor-in-Possession

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